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December 6, 2004

Marlene H. Dortch, Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, DC 20554

Re: *Sunset of the BOC Separate Affiliate and Related Requirements,*
WC Docket No. 02-112, CC Docket Nos. 00-175, 01-337, and 02-33

Dear Ms. Dortch:

This letter is to address a question that arose during an *ex parte* meeting held on October 29, 2004.¹ Specifically, the question was whether special access services are purchased by IXC's and CLECs (referred to collectively hereinafter as "carriers") in such a way that the purchased service corresponds to a particular service provided by the carrier to a particular end user. The answer to the question is "no." Because of the way in which carriers purchase access services, there is generally no direct correlation between access services purchased by a carrier and the retail services provided to its end users. Carriers commonly purchase access services in bulk in order to obtain favorable pricing, then use this large volume of access services to provide a variety of services to a number of different customers. In effect, the special access service is analogous to a raw material that, with the addition of other components, is used by the carrier to make a variety of products.

For example, assume that a carrier is serving an end user whose service needs can be met with an access service at the DS0 level, i.e., a voice grade circuit. Rather than purchasing an access service at this level, a carrier would typically purchase a DS1 (i.e., the equivalent of 24 DS0s) or a DS3 (i.e., the equivalent to 28 DS1s or 672 DS0s). This bulk purchase of access services may then be used by the carrier to serve the end user identified above and to also serve many other end users.

¹ See Letter from Mary L. Henze to Marlene Dortch, dated October 29, 2004, filed in the above referenced dockets to provide notice of an *ex parte* meeting on that same date.

Specifically, carriers typically purchase from BellSouth three types of access services: bulk, wholesale, and enterprise. Bulk purchases are structured to lower the carrier's net cost by aggregating services used to serve particular end users into higher level services (e.g., the example given above of purchasing a DS3 to serve many customers, each of whom would require no more than a DS0). The sale of wholesale service occurs when the carrier purchases access services from BellSouth and resells the services to other providers. Consolidation of services would also be fairly common in this situation. Finally, services are also purchased by carriers to provide service to large end user customers that are defined as "enterprise" customers.

Each of these types of access services is typically sold to carriers under a contract. The contract would entail a commitment by the carrier to purchase access services for a set time period, which would result in a lower per unit price for the access services. For example, in the context of transport services, BellSouth's Access Services Tariff, Section E2.4.9.C, includes a plan under which carriers may commit to purchase services for 12-36 months (Plan A), 37-60 months (Plan B), or 61-96 months (Plan C). The longer the term to which the carrier commits, the lower the price.

Thus, the common purchasing pattern of carriers is one in which large amounts of access services are purchased over extended time periods, then used to provide retail products to the full range of end users to whom the carrier provides service at a given time. The carrier's bulk purchase of access services would thus be used to serve a large number of different end users, each of whom could purchase a combination of services that varies from the services purchased by other end users.

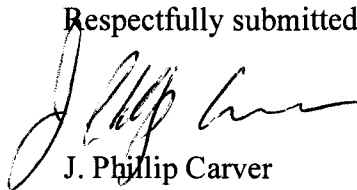
In contrast, when providing service to an enterprise customer, a carrier would typically enter into a contract with BellSouth to purchase access services that would be used to serve that specific enterprise customer. In other words, the aggregation of access services would be less likely to occur. Nevertheless, a carrier could serve different enterprise customers by purchasing the same high level access service for each (e.g., a DS3), but utilize the access service to provide different retail products to each enterprise customer. Thus, even when service is not consolidated as described above, there is still no direct correlation between the purchase of a particular access service and a particular retail product that the carrier sells to its end user.

Again, access services are purchased by carriers as a "raw material" that is used as a component in the retail products they sell. An apt analogy would be the purchase of a large quantity of flour that a baker would use to make a variety of baked goods that are sold to a number of different customers. It is obviously not practical in this example to attempt to

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determine which cookie or cake contains a particular tablespoon of flour from a fifty pound bag. It would be equally difficult (if not impossible) to trace a small portion of a carrier's bulk purchase of access services to a particular retail service bought by a particular end user.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "J. Phillip Carver". The signature is fluid and cursive, with a large initial "J" and a long, sweeping underline.

J. Phillip Carver

cc: W. Dever
M. Carowitz
B. Kehoe
K. Jackson
J. Minkoff
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